GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3137
ANSWERED ON:22.03.2002
NPAS OF NON BANKING COMPANIES
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

(a) whether RBI has defined loans given by NBFCs (non-banking financial companies) which become NPAs;

(b) if so, whether all loans over-due by six months become NPAs;

(c) whether this rule is being observed presently by NBFCs;

(d) if so, the percentage of such loans which are NPAs presently; and

(e) the steps proposed to be taken by the Government to strengthen the regulatory mechanism while dealing with NBFCs?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) :- Yes, Sir.

(b):- Reserve Bank of India (RBI) has reported that a term loan which is overdue for more than six month becomes an NPA. Demand/call loans remaining unpaid for more than six months from the date of demand/call would be classified as NPA.

(c):- Yes, Sir.

(d):- RBI has further reported that as on March 31, 2001 net NPAs (gross NPAs less provisions made) constituted 4.11 per cent of the total assets.

(e):- Comprehensive regulatory framework has been put in place which is aimed at protecting the interests of the depositors and ensuring that NBFCs function on sound and healthy lines. The regulatory framework includes, inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder.